Shenzhen International Holdings Limited
深圳國際控股有限公司
(incorporated in Bermuda with limited liability)
(Stock Code: 00152)

2016 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Shenzhen International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group"), and its joint ventures and associates for the year ended 31 December 2016 (the "Year") together with comparative figures for the year ended 31 December 2015 as follows:

Consolidated Income Statement:

		Year ended 31 December	
		2016	2015
	Note	***HK$'000***	*HK$'000*
Revenue	(3), (4)	**7,787,180**	6,738,397
Cost of sales	(7)	**(4,656,733)**	(3,873,487)
Gross profit		**3,130,447**	2,864,910
Other income	(5)	**110,821**	77,886
Other gains – net	(6)	**866,660**	1,328,237
Distribution costs	(7)	**(73,101)**	(73,165)
Administrative expenses	(7)	**(509,560)**	(495,311)
Operating profit		**3,525,267**	3,702,557
Share of profit of joint ventures		**42,688**	36,616
Share of profit of associates	(13)	**1,182,461**	752,595
Profit before finance costs and income tax		**4,750,416**	4,491,768
Finance income	(8)	**195,076**	280,481
Finance costs	(8)	**(1,190,687)**	(973,741)
Finance costs - net	(8)	**(995,611)**	(693,260)
Profit before income tax		**3,754,805**	3,798,508
Income tax expense	(9)	**(837,623)**	(736,318)
Profit for the Year		**2,917,182**	3,062,190
Attributable to:			
Equity holders of the Company		**2,115,695**	2,198,385
Non-controlling interests		**801,487**	863,805
		2,917,182	3,062,190

Consolidated Income Statement (continued):

	Note	Year ended 31 December 2016 HK$'000	2015 HK$'000
Earnings per share attributable to equity holders of the Company during the Year (expressed in HK dollars per share)			
– Basic	(10(a))	**1.10**	1.16
– Diluted	(10(b))	**1.09**	1.16

Consolidated Statement of Comprehensive Income:

	Year ended 31 December 2016 HK$'000	2015 HK$'000
Profit for the Year	**2,917,182**	3,062,190
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Fair value (losses) /gains on available-for-sale financial assets, net of tax	**(47,196)**	205,481
Reclassification of fair value gains to consolidated income statement upon disposal of available-for-sale financial assets, net of tax	**(261,317)**	(442,049)
Fair value gains on derivative financial instruments, net of tax	**1,483**	2,922
Share of other comprehensive (loss) /income of an associate	**(8,267)**	31,190
Share of other comprehensive loss of a joint venture	**-**	(1,762)
Currency translation differences	**(1,832,200)**	(1,236,209)
Other comprehensive loss for the Year, net of tax	**(2,147,497)**	(1,440,427)
Total comprehensive income for the Year	**769,685**	1,621,763
Total comprehensive income attributable to:		
Equity holders of the Company	**656,758**	1,216,234
Non-controlling interests	**112,927**	405,529
Total comprehensive income for the Year	**769,685**	1,621,763

Consolidated Balance Sheet:

	Note	As at 31 December 2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**4,234,225**	3,962,495
Investment properties		**87,390**	81,450
Land use rights		**1,784,514**	977,827
Construction in progress		**2,056,347**	768,314
Intangible assets	(12)	**21,286,881**	23,833,564
Interests in associates	(13)	**7,490,060**	5,673,459
Interests in joint ventures		**260,234**	281,325
Available-for-sale financial assets	(14)	**104,353**	95,748
Deferred tax assets		**144,189**	89,618
Other non-current assets	(15)	**1,284,155**	1,573,271
		38,732,348	37,337,071
Current assets			
Inventories	(16)	**2,919,482**	1,398,527
Available-for-sale financial assets	(14)	**954,751**	1,119,702
Derivative financial instruments		**113,233**	-
Trade and other receivables	(17)	**2,242,728**	1,879,161
Restricted bank deposits		**1,629,804**	288,291
Deposits in banks with original maturities over three months		**1,540,195**	2,092,911
Cash and cash equivalents		**8,253,937**	13,253,721
		17,654,130	20,032,313
Assets of disposal group classified as held for sale	(18)	**4,354,416**	1,628,469
		22,008,546	21,660,782
Total assets		**60,740,894**	58,997,853
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital and share premium		**8,323,602**	7,625,528
Other reserves and retained earnings		**10,310,529**	10,534,515
		18,634,131	18,160,043
Non-controlling interests		**9,801,512**	10,539,424
Total equity		**28,435,643**	28,699,467

Consolidated Balance Sheet (continued):

	Note	As at 31 December 2016 HK$'000	2015 HK$'000
Liabilities			
Non-current liabilities			
Borrowings		**7,574,893**	9,161,033
Provision for maintenance/resurfacing obligations		**142,286**	149,577
Deferred tax liabilities		**1,759,275**	1,998,819
Other non-current liabilities		**10,009,736**	10,930,123
		19,486,190	22,239,552
Current liabilities			
Trade and other payables	(19)	**7,447,749**	3,613,211
Income tax payable		**525,885**	477,299
Provision for maintenance/resurfacing obligations		**36,801**	90,264
Borrowings		**4,808,626**	3,876,162
Derivative financial instruments		**-**	1,898
		12,819,061	8,058,834
Total liabilities		**32,305,251**	30,298,386
Total equity and liabilities		**60,740,894**	58,997,853

Notes:

(1) Statement of compliance and basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements have been prepared under the historical cost basis, as modified by the revaluation of the available-for-sale financial assets, derivative financial instruments and investment properties, which are carried at fair value.

Non-current assets and assets of disposal groups classified as held for sale are stated at the lower of carrying amount and fair value less cost to sell.

(1) Statement of compliance and basis of preparation (continued)

Land development in Qianhai, Shenzhen for the Group

Shenzhen International West Logistics Co., Ltd. ("West Logistics"), a wholly-owned subsidiary of the Group, owned 5 land parcels with an aggregate site area of approximately 380,000 square metres for logistics purpose in Qianhai, Shenzhen. On 5 October 2015, the Group entered into a land consolidation and preparation framework agreement with Urban Planning Land and Resources Commission of the Shenzhen Municipality ("Shenzhen UPLRC") and Authority of Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone of Shenzhen ("Qianhai Authority") in respect of the Group's land parcels in Qianhai. The parties had agreed to conduct consolidation and preparation work in respect of 5 land parcels owned by West Logistics in Qianhai by way of land swap, monetary compensation and profit sharing. Pursuant to the framework agreement, Shenzhen UPLRC and Qianhai Authority have agreed to arrange a land site with an area of approximately 38,800 square metres at Qianhai Shenzhen-Hong Kong Cooperation Zone as the site for the Group's first phase project. The gross floor area of the first phase project will be approximately 100,000 square metres.

On 2 December 2016, West Logistics entered into an agreement with Qianhai Authority to terminate the previous land use right agreement in respect of the land parcel No. T102-0069, being one of the 5 land parcels owned by West Logistics in Qianhai. Concurrently, three of the Group's wholly-owned subsidiaries have each entered into a new land use rights transfer agreement with Qianhai Authority respectively, and the use of the land parcel has been changed from solely logistics warehousing to integrated land use purpose comprising primarily office buildings complemented by high-end commercial and residential space with an aggregate gross floor area of 100,250 square metres.

On 20 December 2016, Shenzhen International Qianhai Investment and Management (Shenzhen) Co., Ltd. ("SIQ Investment", a wholly-owned subsidiary of the Group) and its wholly-owned subsidiary, Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd. ("SIQ Real Estate"), entered into the capital increase agreement with Shum Yip Land Company Limited ("SY Land", an indirectly owned subsidiary of Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission), pursuant to which SY Land made a capital contribution of RMB1.12 billion (HK$1.25 billion) to SIQ Real Estate. Upon the completion of the capital contribution, the registered capital of SIQ Real Estate would be owned as to 50% by SIQ Investment and as to 50% by SY Land. SY Land became the controlling party of SIQ Real Estate by owning more than 50% voting rights in the board. Accordingly, SIQ Real Estate became an associate of the Group.

As at 31 December 2016, the Group completed the above mentioned transaction. Upon the completion of SY Land's capital contribution, the interest of SIQ Real Estate held by the Group decreased from 100% to 50%. Since the net asset of SIQ Real Estate is mainly land parcel, the transaction is deemed as the transaction of sale of assets to an associate in compliance with Amendments to HKFRS 10 and HKAS 28 (Note 2(c)).

As a result of the capital contribution to SIQ Real Estate by SY Land, the Group recognised 50% of the premium on capital increase of RMB1.115 billion (equivalent to HK$1.245 billion), which gave rise to gain on disposal of assets amounting to approximately HK$648,246,000 (Note 6) and corresponding deferred tax of approximately HK$162,062,000, which are recognised in the consolidated income statement.

(1) Statement of compliance and basis of preparation (continued)

The two remaining land sites are held respectively by Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd. and Shenzhen International Qianhai Asset Management (Shenzhen) Co., Ltd., both of which are wholly-owned subsidiaries of the Group. The land costs and relevant development costs totaling HK$1,506,024,000 (Note 16) are classified as "Inventory-land held for future development" under current assets.

According to the relevant land agreement, the Group is not required to pay the land costs (net of the cost of land parcel No T102-0069 previously owned by West Logistics) of the three land sites for Qianhai first phase project totaling RMB2,444,836,000 (equivalent to HK$2,728,916,000) to the relevant government department for the time being. The amount will be consolidated into future land consolidation and preparation framework agreements to be entered into by the Group in respect of remaining land sites held by the Group in Qianhai project by way of land swap, monetary compensation and profit sharing. Such land costs are currently classified as "other payables" under current liabilities.

(2) Changes in accounting policies and disclosures

(a) New and revised standards and amendments to existing standards that are mandatory for the first time for the financial year beginning on 1 January 2016, are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.

(b) New standards and interpretations that are not yet effective and have not been early adopted

		Effective for annual periods beginning on or after
Amendments to HKAS 7	Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12	Income taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
Amendments to HKFRS 2	Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group is in the process of assessing the impact of the above new standards and amendments to existing standards.

(2) Changes in accounting policies and disclosures (continued)

(c) Early adoption of new standards and amendments which are not yet effective

Amendments to HKFRS 10 and HKAS 28-Sales or contribution of assets between an investor and its associate or joint venture.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now, and as set out in Note 1, the Group has early adopted such Amendment in 2016.

(d) Critical accounting estimates and assumptions changed during the Year:

(i) Amortisation of concession intangible assets

The Group applied HK(IFRIC) — Interpretation 12 'Service Concession arrangements' and recognised concession intangible assets under the service concession arrangements and provides amortisation thereon.

Amortisation of concession intangible assets is provided under the traffic flow amortisation method. Adjustments may need to be made to the carrying amounts of concession intangible assets should there be a material difference between total projected traffic volume and the actual results.

The directors of the Company performed a periodic assessment of the total projected traffic volume. The Group appoints independent professional traffic consultants to perform independent professional traffic studies and make appropriate adjustment if there is a material difference between projected traffic volume and actual traffic volume.

By the end of 2015, the Group appointed an independent professional traffic consultant to reassess the aggregate future traffic volume of Longa Expressway, Nanguang Expressway, Yanba Expressway, Yanpai Expressway and Qinglian Expressway. The Group has adjusted the amortisation unit for the related concession intangible assets according to the revised total projected traffic volume since 1 January 2016 on a prospective basis. Such change in accounting estimate has resulted in decrease in profit attributable to equity holders of the Company amounting to HK$20,615,000 for the year ended 31 December 2016 and will affect the amortisation charges of the Group in the future.

In the fourth quarter of 2016, the Group appointed an independent professional traffic consultant to reassess the aggregate future traffic volume of Wuhuang Expressway. The Group has adjusted the amortisation unit for the related concession intangible assets according to the revised total projected traffic volume since 1 October 2016 on a prospective basis. Such change in accounting estimate has resulted in decrease in profit attributable to equity holders of the Company amounting to HK$3,949,000 for the period from 1 October to 31 December 2016 and will affect the amortisation charges of the Group in the future.

(3) Segment information

The Group's operations are organised in two main business segments:

- Toll roads; and
- Logistic business.

Head office functions include corporate management functions and investment and financial activities of the Group.

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Toll roads include development, operation and management of toll highway; logistic business includes: (i) logistic parks which mainly include the construction, operation and management of logistic centres and integrated logistics hubs; (ii) logistic services which include the provision of third party logistic services, logistic information services and financial services to customers; and (iii) port and related services.

The Board assesses the performance of the operating segments based on a measure of profit for the year.

(3) Segment information (continued)

The segment revenue and results presented to the Board, the chief operating decision-maker, are as follows:

For the year ended 31 December 2016

	Toll roads	Logistic business				Head office functions	Total
		Logistic parks	Logistic services	Port and related services[b]	Subtotal		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	6,056,504 [a]	571,880	629,701	529,095	1,730,676	-	7,787,180
Operating profit	2,548,648	165,517	36,208	84,809	286,534	690,085	3,525,267
Share of profit/(loss) of joint ventures	29,136	15,625	(28)	-	15,597	(2,045)	42,688
Share of profit/(loss) of associates	299,197	(385)	6,290	-	5,905	877,359	1,182,461
Finance income	124,953	1,595	6,274	986	8,855	61,268	195,076
Finance costs	(924,711)	(11,717)	(801)	(7,214)	(19,732)	(246,244)	(1,190,687)
Profit before income tax	2,077,223	170,635	47,943	78,581	297,159	1,380,423	3,754,805
Income tax expense	(436,782)	(26,849)	(7,127)	(9,435)	(43,411)	(357,430)	(837,623)
Profit for the year	1,640,441	143,786	40,816	69,146	253,748	1,022,993	2,917,182
Non-controlling interests	(794,253)	590	(2,544)	(19,303)	(21,257)	14,023	(801,487)
Profit attributable to equity holders of the Company	846,188	144,376	38,272	49,843	232,491	1,037,016	2,115,695
Depreciation and amortisation	1,495,089	81,864	10,060	51,651	143,575	34,590	1,673,254
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	219,032	1,416,375	15,980	199,079	1,631,434	1,492,874	3,343,340
- Additions in interests in associates	79,805	-	-	-	-	653,928	733,733

(3) Segment information (continued)

For the year ended 31 December 2015

	Toll roads	Logistic business				Head office functions	Total
		Logistic parks	Logistic services	Port	Subtotal		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	4,807,652 [(a)]	616,135	1,128,757	185,853	1,930,745	-	6,738,397
Operating profit	2,570,379	220,591	16,954	70,402	307,947	824,231	3,702,557
Share of profit of joint ventures	16,990	19,434	192	-	19,626	-	36,616
Share of profit/(loss) of associates	321,370	(239)	4,151	-	3,912	427,313	752,595
Finance income	182,725	2,479	2,704	864	6,047	91,709	280,481
Finance costs	(627,344)	(12,005)	(485)	(9,014)	(21,504)	(324,893)	(973,741)
Profit before income tax	2,464,120	230,260	23,516	62,252	316,028	1,018,360	3,798,508
Income tax expense	(326,888)	(49,109)	(5,132)	(4,669)	(58,910)	(350,520)	(736,318)
Profit for the year	2,137,232	181,151	18,384	57,583	257,118	667,840	3,062,190
Non-controlling interests	(848,013)	(879)	(3,208)	(17,276)	(21,363)	5,571	(863,805)
Profit attributable to equity holders of the Company	1,289,219	180,272	15,176	40,307	235,755	673,411	2,198,385
Depreciation and amortisation	1,147,033	70,466	5,315	45,782	121,563	40,303	1,308,899
Impairment loss of concession intangible assets	762,045	-	-	-	-	-	762,045
Gains/(losses) on revaluation on equity interests in associates and a joint venture previously held arising from business combinations with change of control	1,111,132	-	(726)	-	(726)	-	1,110,406
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	157,370	475,882	38,925	232,060	746,867	75,459	979,696
- Additions in property, plant and equipment, construction in progress, land used rights and intangible assets arising from acquisition of subsidiaries	5,703,276	-	20,280	-	20,280	-	5,723,556
- Additions in interests in joint ventures	4,901	-	-	-	-	4,538	9,439
- Additions in interests in associates	-	2,508	-	-	2,508	-	2,508

(3) Segment information (continued)

(a) The revenue from toll roads includes construction service revenue under service concession arrangements of HK$146,487,000 (2015: HK$557,000) for the Year.

(b) Port and related services in 2016 included operation and management of wharf and logistic centres at Xiba Port in Nanjing, and port related supply chain management services business. The revenue and profit before income tax from port related services were HK$322,868,000 and HK$10,655,000 respectively for the Year.

(c) The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

(d) All revenues are derived from external customers located in the People's Republic of China (the "PRC"). The Group's non-current assets, other than financial instruments and deferred tax assets are mainly located in the PRC, revenues derived from and non-current assets located in other countries and regions are not material.

(4) Revenue

	2016	2015
	HK$'000	*HK$'000*
Toll Roads		
-Toll revenue	**5,106,600**	4,712,920
-Entrusted construction management services revenue and construction consulting service revenue	**508,469**	94,175
-Construction service revenue under service concession	**146,487**	557
-Other	**294,948**	-
	6,056,504	4,807,652
Logistic Business		
-Logistic parks	**571,880**	616,135
-Logistic services	**629,701**	1,128,757
-Port and related services	**529,095**	185,853
	1,730,676	1,930,745
	7,787,180	6,738,397

(5) Other income

	2016	2015
	HK$'000	*HK$'000*
Dividend income	**62,377**	53,215
Rental income	**9,839**	14,040
Government grants	**29,334**	8,405
Others	**9,271**	2,226
	110,821	77,886

(6) Other gains – net

	2016	2015
	HK$'000	*HK$'000*
Gain on disposal of land assets in Qianhai (Note 1)	**648,246**	-
Gains on disposal of available-for-sale financial assets	**238,558**	977,008
Remeasurement gain on fair value of residual shareholdings after loss of control of subsidiary	**5,385**	-
(Losses)/gains on disposal of Meiguan Expressway's toll free section related assets	**(31,113)**	1,010
Losses on disposal of property, plant and equipment	**(1,313)**	(6,182)
Others	**6,897**	12,038
Gains on revaluation on equity interests in associates and a joint venture previously held arising from business combinations with change of control-net	**-**	1,110,406
Impairment loss of concession intangible assets	**-**	(762,045)
Losses on disposal of concession intangible assets	**-**	(3,998)
	866,660	1,328,237

(7) Expenses by nature

Expenses included in cost of sales, distribution costs and administrative expenses are analysed as follows:

	2016	2015
	HK$'000	*HK$'000*
Construction service cost under service concession	**146,487**	557
Provision for maintenance/resurfacing obligations - net	**32,179**	13,951
Depreciation and amortisation	**1,673,254**	1,308,899
Employee benefit expenses	**942,262**	821,188
Transportation expenses and contractors' costs	**407,319**	255,764
Rental charges	**26,741**	32,344
Other tax expenses	**107,417**	201,248
Commission, management fee and maintenance expenses for toll roads	**352,347**	308,677
Entrusted construction management service costs	**73,619**	14,224
Auditors' remuneration		
- Audit services	**5,759**	8,179
- Non-audit services	**3,285**	7,197
Legal and consultancy fees	**45,117**	37,329
Costs for electronic commerce and supply chain management business	**394,185**	705,888
Others	**1,029,423**	726,518
	5,239,394	4,441,963

(8) Finance income and costs

	2016	2015
	HK$'000	*HK$'000*
Interest income from bank deposits	**(186,643)**	(145,163)
Interest income from other receivables	**(6,772)**	(113,536)
Other interest income	**(1,661)**	(21,782)
Total finance income	**(195,076)**	(280,481)
Interest expense		
- Bank borrowings	**189,100**	342,235
- Medium-term notes	**110,115**	89,266
- Senior notes	**103,165**	103,026
- Corporate bonds	**146,513**	224,929
- Other interest expense	**6,087**	9,176
- Interest expense on other financial liabilities	**532,371**	47,640
Net foreign exchange losses	**368,072**	248,783
Gains on derivative financial instruments directly attributable to borrowings	**(117,946)**	-
Less: finance costs capitalised on qualified assets	**(146,790)**	(91,314)
Total finance costs	**1,190,687**	973,741
Net finance costs	**995,611**	693,260

(9) Income tax expense

Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the Year. Taxes on overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The PRC Corporate Income Tax charged to the consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC of the year at a rate of 25% (2015: 25%) applicable to the respective companies.

	2016	2015
	HK$'000	*HK$'000*
Current income tax		
- PRC Corporate Income Tax	**946,700**	931,214
Deferred tax	**(109,077)**	(194,896)
	837,623	736,318

(10) Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Year.

	2016	2015
Profit attributable to equity holders of the Company (HK$'000)	**2,115,695**	2,198,385
Weighted average number of ordinary shares in issue (thousands)	**1,929,847**	1,895,423
Basic earnings per share (HK dollars per share)	**1.10**	1.16

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

(10) Earnings per share (continued)

(b) Diluted (continued)

	2016	2015
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**2,115,695**	2,198,385
Profit used in the calculation of diluted earnings per share	**2,115,695**	2,198,385
Weighted average number of ordinary shares in issue (thousands)	**1,929,847**	1,895,423
Adjustments – share options (thousands)	**4,197**	6,498
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,934,044**	1,901,921
Diluted earnings per share (HK dollars per share)	**1.09**	1.16

(11) Dividends

At the Board meeting on 28 March 2017, the Board recommended the payment of final dividend for the year of 2016 of HK dollars 0.43 per ordinary share. Such dividends are to be approved by the shareholders at the forthcoming annual general meeting of the Company in 2017 ("Annual General Meeting"). These consolidated financial statements do not reflect this as dividend payable.

	2016	2015
	HK$'000	*HK$'000*
Proposed final and total dividend of HK dollars 0.43 (2015: HK dollars 0.50) per ordinary share	**841,806**	949,510

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares. The arrangement is subject to: (1) the approval of proposed final dividend at the forthcoming Annual General Meeting; and (2) The Stock Exchange's granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

(12) Intangible assets

	2016	2015
	HK$'000	*HK$'000*
Concession intangible assets (Note (a))	**21,286,881**	23,831,721
Goodwill	**-**	1,843
Net book value	**21,286,881**	23,833,564

(a) Concession intangible assets

	2016	2015
	HK$'000	*HK$'000*
Opening net book value	**23,831,721**	21,066,291
Acquisition of subsidiaries	**-**	5,468,058
Additions	**147,649**	41,880
Transfer from construction in progress	**5,808**	-
Disposals	**-**	(6,513)
Amortisation	**(1,297,664)**	(956,444)
Impairment	**-**	(762,045)
Exchange difference	**(1,400,633)**	(1,019,506)
Closing net book value	**21,286,881**	23,831,721

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 6 to 19 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any considerations payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options. Amortisation of concession intangible assets has all been charged in the consolidated income statement within "Cost of sales".

(13) Interests in associates

	2016	2015
	HK$'000	*HK$'000*
Beginning of year	**5,673,459**	5,845,699
Additions	**733,733**	2,508
Transfer from other non-current assets	**692,850**	-
Transfer from interests in subsidiary	**50,863**	-
Share of profit of associates	**1,182,461**	752,595
Share of other comprehensive (loss)/income of an associate	**(8,267)**	31,190
Dividends received	**(363,321)**	(459,709)
Transfer to subsidiaries	**-**	(232,853)
Exchange difference	**(471,718)**	(265,971)
End of year	**7,490,060**	5,673,459

(14) Available-for-sale financial assets

	2016	2015
	HK$'000	*HK$'000*
Beginning of year	**1,215,450**	1,388,711
Additions	**654,947**	298,579
Net change in fair value	**(62,928)**	274,323
Disposals (Note (a))	**(672,062)**	(684,630)
Exchange difference	**(76,303)**	(61,533)
End of year	**1,059,104**	1,215,450
Less: non-current portion	**(104,353)**	(95,748)
Current portion	**954,751**	1,119,702

Available-for-sale financial assets, all denominated in RMB, include the following:

Listed securities in the PRC, at fair value (Note (a))	**340,843**	821,123
Unlisted yield-enhancement products:		
at fair value (Note (b))	**613,908**	298,579
Unlisted equity investments:		
at fair value	**-**	59,716
at cost less impairment		
- Cost (Note (c))	**128,448**	60,127
- Provision for impairment	**(24,095)**	(24,095)
	104,353	36,032
	104,353	95,748
	1,059,104	1,215,450

(a) As at 31 December 2016, listed equity investments stated at market price represented 1.30% (2015: 2.48%) equity interest in CSG Holding Co., Ltd. ("CSG"). During the Year, the Group disposed certain shares in CSG and recorded a gain of approximately HK$342,520,000 (2015: HK$977,008,000).

(b) The balance represented the Group's investments in certain structured yield-enhancement products managed by a high credit quality fund management company in the PRC.

(c) The Group's unlisted equity investments do not have quoted market prices in an active market and their fair values cannot be reliably measured.

(15) Other non-current assets

As at 31 December 2016, other non-current assets mainly represented prepayments for land use rights, project funds, other long-term receivables and advances to non-controlling interests.

(16) Inventories

	2016	2015
	HK$'000	*HK$'000*
In the PRC		
Land in Qianhai held for future development (Note 1)	**1,506,024**	-
Other land held for future development	**58,298**	-
Land and properties under development for sale	**652,466**	767,871
Completed properties for sale	**560,974**	351,320
Others	**141,720**	279,336
	2,919,482	1,398,527

(17) Trade and other receivables

The settlement period of the toll revenue from toll road operations is normally within a month due to the implementation of unified toll collection policy on expressways of the Group in the PRC. Trade receivables other than toll revenue generally have credit terms of 30 to 120 days. As at 31 December 2016 and 2015, the ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	2016	2015
	HK$'000	*HK$'000*
0-90 days	**607,419**	485,916
91-180 days	**98,829**	17,579
181-365 days	**29,231**	47,163
Over 365 days (Note (a))	**485,281**	516,089
	1,220,760	1,066,747

(a) Trade receivables due over 365 days mainly comprised the amount of HK$435,719,000 (2015: HK$492,750,000) arising from the Group's development and management of certain toll road projects administrated for the Shenzhen Traffic and Transportation Committee and entrusted construction management services of Guangshen Coastal Expressway (Shenzhen section) Project.

(18) Assets of disposal group classified as held for sale

In June 2015, Shenzhen International United Land Co., Ltd. ("United Land Company"), a subsidiary of the Group, entered into various land transfer agreements (the "Land Transfer Agreements") with Longhua Management Bureau under Urban Planning Land and Resources Commission of the Shenzhen Municipal to acquire the land use rights of the Meilin checkpoint land parcels at a total consideration of RMB3,566,700,000 (equivalent to HK$3,981,136,000). Pursuant to the Land Transfer Agreements, United Land Company paid 30% of the total land premium by 30 June 2015 and the remaining land premium was paid before 23 June 2016. Prior to the above transaction, the Group had possessed these land use rights for logistic business operation. The directors of Company had approved a plan to dispose of not less than 50% equity interest in United Land Company to third-party real estate developers within one year. As such, the related group of assets which mainly includes the prepayment for land premium of HK$ 3,981,136,000 (2015: HK$1,277,929,000), the carrying values of the original land use rights of HK$49,280,000 (2015: HK$52,728,000) and the buildings and fixtures attached to the land use rights of HK$324,000,000 (2015: HK$297,812,000), were reclassified to assets held for sale.

In 2016, the time of completion of sale was extended due to delay of land relocation process.

(19) Trade and other payables

As at 31 December 2016 and 2015, the ageing analysis of the trade payables based on the date of invoices was as follows:

	2016	2015
	HK$'000	*HK$'000*
0-90 days	**92,636**	138,164
91-180 days	**8,944**	1,375
181-365 days	**4,638**	744
Over 365 days	**936**	253
	107,154	140,536

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Operating Results	**2016** *HK$000*	2015 *HK$000*	Increase/ (Decrease)
Revenue	**7,787,180**	6,738,397	16%
Operating profit	**3,525,267**	3,702,557	(5%)
of which: Core Business	**2,657,626**	2,376,461	12%
Profit before finance costs and tax	**4,750,416**	4,491,768	6%
of which: Core Business	**3,882,775**	3,165,672	23%
Profit attributable to shareholders	**2,115,695**	2,198,385	(4%)
of which: Core Business	**1,750,557**	1,126,415	55%
Basic earnings per share (HK dollars)	**1.10**	1.16	(5%)
Final dividend per share (HK dollar)	**0.43**	0.50	(14%)

The Group faced a challenging business environment in 2016 amidst sustained global economic weakness, transformation of the domestic economy and increasing volatility in Renminbi exchange rate. As the Chinese economy has been relatively stable and the growing demand for logistic infrastructure facilities and quality logistic services, affording extensive opportunities for the development of the Group. The Group acted vigorously in response to seize opportunities arising, while continuing to focus on the transformation and upgrade of the existing businesses and accelerating the building of a network of "China Urban Integrated Logistics Hub" for achieving sustainable development.

Despite a challenging macroeconomic environment, the Group delivered steady performance for the year 2016. During the Year, the Group recorded a total revenue of HK$7,787 million, representing an increase of 16%, while profit before finance costs and tax amounted to HK$4,750 million, representing an increase of 6%, as compared to the corresponding period of the previous year. The Group sustained satisfactory growth in profit attributable to shareholders from its core business, which amounted to HK$1,751 million (2015: HK$1,126 million), representing an increase of 55%, as compared to the corresponding period of the previous year. However, due to non-recurring items recognised in 2015 and in accordance with the toll adjustment and compensation agreements relating to Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the 23.8 km section of Longda Expressway from the starting point of Longda Expressway to the Nanguang Expressway ramp (the "Longda Shenzhen Section") entered into on 30 November 2015 between the Group and relevant Shenzhen government authorities (the "Toll Adjustment and Compensation Agreements") and relevant accounting standard, the Group was required to make a provision of approximately HK$532 million for interest costs (although such interests will not affect the cash flow of the Group) for the Year, this resulted in a significant increase in finance costs of the Group and reduced the profit attributable to shareholders by approximately HK$253 million. In addition, a net exchange loss of HK$180 million was recorded during the Year due to depreciation of Renminbi. The above factors have led to a decrease of 4% in profit attributable to shareholders of the Group which amounted to HK$2,116 million, when compared to the corresponding period of the previous year.

During the Year, most of the toll road projects of the Group maintained growth in traffic volume and toll revenue and completion of the acquisition of certain projects in 2015 brought in new revenue to the Group. Toll road business recorded a total revenue of HK$5,910 million, representing an increase of 23% as compared to the corresponding period of the previous year, and profit before finance costs and tax of HK$2,877 million (2015: HK$2,909 million), maintained at a similar level to that of 2015. Net profit of the toll road business in 2016 decreased by 34% as compared to that of the corresponding period of the previous year. Excluding the provision of interest costs in respect of the toll adjustment for the four toll roads for the Year and the non-recurring items for 2015, net profit of the toll road business increased by 16%, year-on-year.

As several transformation and upgrading projects of the Group's existing logistic parks were undergoing an incubation stage or the early phases of construction, revenue and profit growth of the Group's logistic business was under pressure. Nevertheless, with the transformation and upgrade of logistic parks progressing steadily and with more integrated logistics hubs commencing operations, the logistic business of the Group will be further developed.

In 2016, the Group continued to focus on the strategic deployment of "China Urban Integrated Logistics Hub". The Group entered into investment agreements for "China Urban Integrated Logistics Hub" projects with local government authorities of Guizhou, Chongqing, Zhengzhou, Xi'an and Jurong while acquiring a new project in Kunshan through merger and acquisition. During the Year, new land parcels for the "China Urban Integrated Logistics Hub" projects with an aggregate site area of 1.07 million square metres were acquired in Shijiazhuang, Changsha, Hefei, Hangzhou, Guizhou and Kunshan. As at the date of this announcement, the Group has established its presence in 17 major logistic gateway cities with the execution of relevant investment agreements, involving a planned site area of approximately 4.90 million square metres. With the benefit of strong market demand for modernised premium logistic facilities, the overall occupancy rate for Shenyang project, Kunshan project, Wuhan project and Hefei project which commenced operation in 2016 reached 60%, brought in total revenue of HK$31.65 million, underpinning the initial success of the "China Urban Integrated Logistics Hub" projects.

Excluding the impact of the suspension of operation of Huatongyuan Logistic Centre owing to relocation, total revenue from the logistic business for the Year decreased by 5% (excluding the impact of exchange rate, maintained at a similar level with that in 2015) to HK$1,731 million as compared to the corresponding period of the previous year. The Group's existing logistic park business sustained stable operation during the Year, while revenue from the logistic service business decreased following adjustments to the customer mix. Profit attributable to shareholders increased by 10% to HK$232 million, year-on-year, driven mainly by satisfactory growth in the port business and the new logistic financing business which commanded higher gross profit.

During the Year, driven by the continuing growth in passenger volume and the reduction in aviation fuel cost, Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group holds 49% equity interest, reported sound results with a total revenue of RMB25,970 million (HK$30,194 million) for the Year, representing an increase of 9% as compared to the corresponding period of the previous year. Shenzhen Airlines recorded prominent growth in net profit and contributed a profit of approximately HK$834 million (2015: HK$381 million) to the Group, representing an increase of 119% as compared to the corresponding period of the previous year, which in turn contributed to the increase in the Group's profit attributable to shareholders from the core business by 55% to HK$1,751 million, as compared to the corresponding period of the previous year.

The Group made significant breakthroughs in its Qianhai Project in 2016. Subsequent to the execution of the land use right agreements for the first phase of the Qianhai project (the "Qianhai Start-up Project") with the Qianhai Authority, the Group has also entered into a capital increase agreement with a leading property developer for the joint development of the residential project of Qianhai Start-up Project to partially capture the value and profit of the project, enabling the Group to record a profit before tax of approximately HK$648 million. Moreover, completion of the relocation of Huatongyuan Logistic Centre towards the end of 2016 has laid a solid foundation for enhancing the land value of the Meilin Checkpoint Urban Renewal Project (the "Meilin Checkpoint Project"). The Group will focus on conducting relevant tasks and strive to commence the construction in 2017.

During the Year, notwithstanding that the A shares market in China was sluggish, the Group grasped the rare opportunities in the market to dispose of approximately 24.57 million (2015: 64.50 million) A shares of CSG at an average selling price of RMB13.55 (HK$15.75) per share to realise a gain after tax of approximately HK$255 million (2015: HK$729 million). Meanwhile, the Group has made a business tax payment of approximately HK$123 million during the Year for the disposal of CSG A shares in the previous years.

Due to the high volatility in Renminbi exchange rate during the Year, the Group's reported results in Hong Kong dollars were also adversely affected by currency translation. Excluding the impact of exchange rate volatility, the Group's revenue in Renminbi increased by 22% year-on-year to RMB6,698 million (2015: RMB5,482 million), profit before finance costs and tax and profit attributable to shareholders increased by 12% and 2% to RMB4,086 million (2015: RMB3,655 million) and RMB1,820 million (2015: RMB1,789 million), respectively.

Dividend

The Board is committed to maintaining a stable dividend policy to ensure sustainable and steady returns for shareholders. After considering the composition of the profit and cash flows of the Group, the Board recommended a final dividend of HK$0.43 (2015: HK$0.50) per share, representing a dividend payout ratio of 40%. Total dividend for the Year amounted to HK$842 million (2015: HK$950 million).

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend at the forthcoming Annual General Meeting; and (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

LOGISTIC BUSINESS

Analysis of Operating Performance

Logistic Parks

During the Year, the Group maintained a stable average occupancy rate of 96% for logistic parks. In order to accommodate the Meilin Checkpoint Project, the operation of Huatongyuan Logistic Centre had been suspended since commencement of the relocation process in 2015. The relocation and clearance of Huatongyuan Logistic Centre was fully completed towards the end of 2016.

The robust development of new business forms, such as cross-border e-commerce and Internet Finance, and the rapid upgrades of IT in recent years have provided opportunities as well as challenges to the modern logistic business. Western Logistic Park has been granted, as the second batch, the status of a "National Exemplary e-Commerce Base", while South China Logistic Park has been listed as a pilot enterprise in cross-border e-commerce business in Shenzhen, by the Ministry of Commerce. The construction of the South China Logistic Cross-border E-commerce Exhibition Centre was completed in December 2016 and marketing was progressing well. During the Year, Western Logistic Park successfully lined up the Post Office of the Shenzhen Qianhai Free Trade Port Zone (深圳市前海保稅區郵政局) for the joint development of a new model in cross-border e-commerce services. The innovative ventures of Western Logistic Park and South China Logistic Park in cross-border e-commerce have provided a solid foundation for the upgrade and transformation of the Group's logistic parks. In addition, phase 2 of South China Logistic Park, with a site area of 77,000 square metres, achieved important breakthroughs as the construction was commenced in late 2016. The phase 2 project has been planned for development into an integrated high-end modern logistic service hub bringing together supply chain management and logistics headquarters, logistic information centre, e-commerce industrial base, e-commerce network storage centre and integrated ancillary service platforms.

Integrated Logistics Hub

In 2016, the Group formulated a strategic blueprint for "China Urban Integrated Logistics Hub" to map out the direction of the development, market positioning and approach of implementation for integrated logistics hubs, aiming to ensure faster and more stable development in the future.

During the Year, the Group entered into investment agreements for the "China Urban Integrated Logistics Hub" projects with relevant local government authorities of Guizhou, Chongqing, Zhengzhou, Xi'an and Jurong, while acquiring the Kunshan project by way of merger and acquisition. Such projects have expanded the network coverage of the Group. While continuing with its efforts in developing new projects, the Group has also advanced its projects under construction or planning in a steady pace to ensure compliance with work schedules and preparation for marketing are actively underway.

During the Year, new land parcels for the "China Urban Integrated Logistics Hub" projects with an aggregate site area of 1.07 million square metres were acquired in Shijiazhuang, Changsha, Hefei, Hangzhou, Guizhou and Kunshan. Moreover, project construction has commenced according to plans for the projects in Wuxi, Shijiazhuang, Nanchang, Hangzhou and Guizhou, which are scheduled for completion and commencement of operation in 2017.

Phase 1 of the "Shenzhen International Shenyang Integrated Logistic Hub", the Group's first "China Urban Integrated Logistics Hub" project, commenced operation in April 2016; Wuhan and Hefei projects were also completed according to schedules during the second half of 2016 and commenced operations successively. During the Year, the "China Urban Integrated Logistics Hub" projects in operation had an aggregate gross floor area of 330,000 square metres. Thanks to effective marketing, the "China Urban Integrated Logistics Hub" projects in operation reported an overall occupancy rate of 60% as at 31 December 2016, delivering sound performance and generating new revenue contribution to the Group.

As at the date of this announcement, the Group extended its "China Urban Integrated Logistics Hub" network to cover 17 major logistic gateway cities, namely, Shenyang, Wuxi, Wuhan, Tianjin, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Chengdu, Guizhou, Kunshan, Chongqing, Zhengzhou, Xi'an and Jurong, covering a planned site area of approximately 4.90 million square metres. Relevant investment agreements have been entered into with respective government authorities. Among these cities, the Group has acquired land parcels with an aggregate site area of approximately 2.17 million square metres for 11 projects in Shenyang, Wuxi, Wuhan, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Guizhou and Kunshan.

The "China Urban Integrated Logistics Hub" projects will grow into a cornerstone of the Group's sustainable development, as a comprehensive nationwide network comes into shape with increasing brand influence and stronger marketing ability.

Port Business

In 2016, despite the challenging economic and business conditions, commencement of operation of phase 2 of Nanjing Xiba Port enhanced the growth momentum of the port business. Meanwhile, leveraging the advantage of port resources, the Group actively commenced the port-related supply chain management service business, which optimised the composition of cargo sources and drove the increase in business volume of the port business. In 2016, a total of 298 vessels berthed at Nanjing Xiba Port and total throughput of Nanjing Xiba Port reached 18.97 million tonnes, representing an increase of 8% as compared to the corresponding period of the previous year.

Logistic Service Business

During the Year, the logistic service business was subject to intense market competition and the challenge of slower domestic economic growth. In response, the Group sought to enhance the overall competitiveness of its logistic service business by actively developing new business, introducing marketing initiatives and optimising its operations on an ongoing basis. During the Year, to enhance its overall profitability, the Group optimised its customer mix by signing up with customers on a more selective basis and reducing business with certain customers which commanded lower profit margins.

Financial Analysis

Excluding the impact of the suspension of operation of Huatongyuan Logistic Centre owing to relocation, total revenue from the logistic business for the Year decreased by 5% (excluding the impact of exchange rate, maintained at a similar level with that in 2015) to HK$1,731 million as compared to the corresponding period of the previous year, while profit attributable to shareholders increased by 10% to HK$232 million, year-on-year.

Revenue and Profit Attributable to Shareholders of Each Logistic Business Unit

For the year ended 31 December

	Revenue			Profit Attributable to Shareholders		
	2016 ***HK$000***	**2015** ***HK$000***	***Increase/ (decrease)***	**2016** ***HK$000***	**2015** ***HK$000***	***Increase/ (decrease)***
Logistic Park Business						
South China Logistic Park	**251,474**	246,111	2%	**89,257**	94,574	(6%)
Western Logistic Park	**98,568**	110,868	(11%)	**26,953**	30,607	(12%)
Nanjing Chemical Industrial Park Logistic Centre	**78,540**	72,589	8%	**16,310**	11,428	43%
Shandong Booming Total Logistic Park	**111,652**	87,213	28%	**1,209**	1,646	(27%)
Integrated Logistic Hubs	**31,646**	N/A	N/A	**(4,074)**	-	N/A
SZ Airport Express Center*	**N/A**	N/A	N/A	**14,721**	18,177	(19%)
Sub Total	**571,880**	516,781	11%	**144,376**	156,432	(8%)
Huatongyuan Logistic Centre#	**N/A**	99,354	N/A	**N/A**	23,840	N/A
Sub Total	**571,880**	616,135	(7%)	**144,376**	180,272	(20%)
Port Business	**529,095**	185,853	185%	**49,843**	40,307	24%
Logistic Service Business	**629,701**	1,128,757	(44%)	**38,272**	15,176	152%
Total	**1,730,676**	1,930,745	(10%)	**232,491**	235,755	(1%)

** SZ Airport Express Center is a joint venture and is accounted for using the equity accounting method.*
 # Huatongyuan Logistic Centre has suspended operations owing to its relocation since 2015.

As several transformation and upgrading projects of the Group's existing logistic parks were undergoing an incubation stage or the early phases of construction, revenue and profit growth of the Group's logistic park business was under pressure. Excluding the impact of the suspension of operation of Huatongyuan Logistic Centre owing to relocation, revenue from the Group's logistic park business amounted to HK$572 million for the Year, representing an increase of 11% as compared to the corresponding period of the previous year; while profit attributable to shareholders amounted to HK$144 million, representing a decrease of 8% as compared to the corresponding period of the previous year. In connection with the Group's integrated logistics hub business, new revenue contributions amounting to approximately HK$31.65 million were recorded following the commencement of operation of integrated logistics hubs in Shenyang, Kunshan, Wuhan and Hefei in 2016. As these projects were still in their incubation stage, profit contribution to the Group was relatively low.

Driven by the supply chain management service business, the port business recorded a revenue of HK$529 million, representing an increase of 185%, while profit contribution of the port business amounted to approximately HK$49.84 million, representing an increase of 24%, as compared to the corresponding period of the previous year. Approximately HK$8.41 million of profit was attributable to the supply chain management service business.

Revenue from the logistic service business decreased by 44% to HK$630 million as compared to the corresponding period of the previous year, which was mainly attributable to improvements in overall profitability following efforts to optimise the customer mix through customer screening of low profit margin. Profit attributable to shareholders increased by 152% to HK$38.27 million as compared to the corresponding period of the previous year, which was mainly attributable to the new profit contributions from the new logistic financing business.

Updates on the Qianhai Project and Meilin Checkpoint Project

Qianhai Project

In 2015, the Group and Qianhai Authority entered into a framework agreement in respect of the land consolidation and preparation of land parcels for the Qianhai project by way of land swap, monetary compensation and profit sharing. Pursuant to the agreement, Qianhai Authority agreed to arrange a profit-oriented land site with an area of approximately 38,800 square metres at Block 6, Unit 19 of Qianhai Shenzhen-Hong Kong Cooperation Zone as the land site for the start-up phase of the Group's "Shenzhen International Qianhai Intelligent Hub" project.

The Group entered into new land use right agreements with Qianhai Authority in respect of Qianhai Start-up Project in December 2016 to ascertain its ownership of the site for Qianhai Start-up Project, which is an integrated land site primarily comprising office buildings complemented by high-end commercial and residential space with a gross floor area of approximately 100,000 square metres. The signing of the new land use right agreements signified major progress in land consolidation and preparation for the Group's Qianhai project, laid a solid foundation for the land resources and valuation of other land sites which the Group may obtain through land consolidation.

In December 2016, the Group also entered into a capital increase agreement with Shum Yip Land Company Limited (深業置地有限公司), a well-known property developer, for the joint development of the residential land site of Qianhai Start-up Project. The introduction of a leading property developer as partner will enable the Group to partially capture the current value and profit of the land parcel. The alliance with a top-tier property developer would lower the Group's investment risk while increasing the overall quality and income of the residential project to deliver greater returns to the shareholders of the Company. The above mentioned land parcel is one of the land parcels in the first part (i.e. the Qianhai Start-up Project) of the consolidation and preparation work to be conducted by Shenzhen Municipality Government on the five land parcels in Qianhai owned by the Group. The realisation of value through the capital increase agreement would serve as an example for the realisation of the value of the land parcels owned by the Group in Qianhai in the future.

In 2017, the Group has set the land consolidation and preparation of all five land parcels with an aggregate site area of approximately 380,000 square metres in Qianhai as a priority task, including the time of assessment and value of the land under the previous and new land use arrangements, the commencement date of the term in respect of the land swap, the party which owns the value of land under the previous land use arrangements and the ratio of profit sharing in respect of the increase in the value of land under the new land use arrangements. Currently, active negotiations with the Qianhai Authority and relevant government authorities are underway.

Meilin Checkpoint Urban Renewal Project

The Group entered into land transfer agreements with Longhua Management Bureau under Urban Planning Land and Resources Commission of the Shenzhen Municipal (深圳市規劃和國土資源委員會龍華管理局) in respect of the land parcels of the Meilin Checkpoint Project in late June of 2015. Land premium for the land parcels was settled in full following the payment of the balance of RMB2,497 million in June 2016 in accordance with the agreements. Following completion of the clearance of the land site, preparatory work for the project is currently in progress and construction is scheduled to commence within 2017.

The Meilin Checkpoint Project is adjacent to the Futian District in downtown Shenzhen, located at a site where Huatongyuan Logistic Centre was previously situated, and is a functional development area in the city centre and a key development zone of the city. It is situated at a geographically advantageous location with good investment value and potential for appreciation. The Meilin Checkpoint land parcels have been re-designated as a comprehensive development project with a total gross floor area of approximately 486,000 square metres, comprising properties for residential, commercial, office, business apartment and public and ancillary uses. Benefitting from the surge of residential property prices in Shenzhen in recent years, the land parcels of Meilin Checkpoint Project are set to enjoy further growth in value.

TOLL ROAD BUSINESS

Analysis of Operating Performance

During the Year, traffic volume and toll revenue of most of the Group's expressway projects reported growth. Nonetheless, the operating performance of each expressway project of the Group was influenced in varying degrees by continuous improvements in transportation network, renovation works of surrounding road network and conditions of each individual project:

- in accordance with the Toll Adjustment and Compensation Agreements, toll adjustments of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Shenzhen Section are implemented in two phases. During Phase 1 (from 00:00 on 7 February 2016 to 24:00 on 31 December 2018), toll-free passage for these road sections would be implemented and revenue of the Group would be calculated and recognised in accordance with the mechanism set out in the agreements. During Phase 2 (from 00:00 on 1 January 2019), the relevant government department will elect to either continue the implementation of toll-free passage as in Phase 1, or have the fee entitlement rights of these road sections returned to it at an earlier stage in exchange for the compensation payment accordingly.

  Since the implementation of toll-free policy at 0:00 on 7 February 2016 for the above mentioned road sections, these toll-free road sections had experienced faster growth in traffic volume and had driven traffic volume of Jihe Expressway and Shuiguan Expressway to increase;

- toll revenue of Jihe East was adversely affected by the closure of the westbound direction of Pinghu Bianzuzhan Bridge of Jihe East for maintenance and reinforcement works during mid-May to mid-July 2016. However, future operating performance of Jihe East is expected to be boosted by the improved traffic conditions following the completion of such maintenance and reinforcement works; and

- active promotion of routes and marketing strategies implemented by Qinglian Expressway were starting to show effect and the impact of diversion from Guangle Expressway as well as Erguang Expressway had stabilised. The expansion works of Guangqing Expressway (which connects to Qinglian Expressway) were completed and commenced operation in late September 2016, while construction works of the connecting lanes between these two expressways are scheduled for completion by the end of 2017. In addition, the connecting lanes between Erguang Expressway and Qinglian Expressway are under construction. Such project works, when completed, are expected to enable the passage as a whole to function fully as the artery of Hunan-Guangdong traffic, thereby enhancing the competitiveness and operating performance of Qinglian Expressway.

During the Year, the Group reached a new milestone in the investment and operation of its toll road business. The Group, through Shenzhen Expressway, entered into a concession agreement with the Shenzhen Government, in respect of the investment, construction and management of the Shenzhen Section of Shenzhen Outer Ring Expressway (Coastal Expressway – Shenshan Expressway Section) ("Outer Ring Section A") according to the PPP model, for the acquisition of the concession rights of Outer Ring Section A (the "Outer Ring Project"). Outer Ring Section A starts in Bao'an District, Shenzhen connecting Guangshen Coastal Expressway and runs through Guangming New Area, Longhua New Area, Dongguan City (the Dongguan Section not being covered by this project), Longgang District and Pingshan New District, connecting with the planned Julong Road after the inter-connection with Shenzhen-Shantou Expressway. It provides 6 lanes in two directions with a length of approximately 60 km. The operation of the Outer Ring Project according to the PPP model can effectively achieve a balance between public interests of infrastructure facilities and reasonable return for commercial investments, so that the society, the government and the enterprises can all reap benefits. Moreover, the Outer Ring Project expands the scope of future development for the principal business of Shenzhen Expressway, consolidates the Group's market share in the expressway network of Shenzhen, and enhances the core advantages of the Group's toll road business. As at the date of this announcement, the Outer Ring Project is under construction and contract works at various sections are in good progress.

In addition, to meet the needs of the Group's overall strategic development, a wholly-owned subsidiary of the Company entered into a share transfer agreement in early December 2016 to transfer 45% interests in Wuhuang Expressway to a wholly-owned subsidiary of Shenzhen Expressway. Following the transfer, Shenzhen Expressway held 100% interests in Wuhuang Expressway. The transaction has also further enhanced the core strengths of Shenzhen Expressway in its principal toll road business and is therefore mutually beneficial for both the Company and Shenzhen Expressway.

Financial Analysis

Total revenue of the Group's toll road business amounted to HK$5,910 million (2015: HK$4,807 million) for the Year, representing an increase of 23% as compared to the corresponding period of the previous year. This was driven by sound toll revenue contribution to the Group from the project company of Shuiguan Expressway which had become a subsidiary of the Group since 30 October 2015, as well as satisfactory growth in toll revenue recorded by Longda Expressway and Jihe West during the Year. Profit before finance costs and tax amounted to HK$2,877 million (2015: HK$2,909 million), maintained at a similar level as compared to the corresponding period of the previous year. However, according to the Toll Adjustment and Compensation Agreements and the relevant accounting standard, the Group was required to make a provision for interest costs amounting to approximately HK$532 million for the Year (which would not have any impact on the Group's cash flow) on the receipt of the first compensation payment totalling RMB9,713 million from the relevant government department of Shenzhen in December 2015. This resulted in a significant increase in the finance costs of the Group for the Year and reduced the net profit by approximately HK$253 million. Net profit of the Group's toll road business amounted to HK$846 million (2015: HK$1,289 million) for the Year, representing a decrease of 34% as compared to the corresponding period of the previous year. Excluding the impact of the provision of interest costs as mentioned above for the Year and the provision for impairment of concession rights of Qinglian Expressway as well as the fair value gain on equity interests held by the Group recognised as a result of acquisitions of effective control of two companies last year, net profit of the Group's toll road business for the Year increased by 16% as compared to the corresponding period of the previous year.

Longda Expressway

During the Year, Longda Expressway recorded a toll revenue of HK$661 million (2015: HK$625 million), representing an increase of 6% as compared to the corresponding period of the previous year. Profit before finance costs and tax amounted to HK$436 million (2015: HK$392 million), representing an increase of 11% as compared to the corresponding period of the previous year; earnings before interest, tax, depreciation and amortisation ("EBITDA") amounted to HK$526 million (2015: HK$467 million), representing an increase of 13% as compared to the corresponding period of the previous year.

Longda Expressway reported satisfactory growth in toll revenue for the Year, which was attributable to the substantial increase in traffic flow following the implementation of toll-free policy with effect from 0:00 on 7 February 2016 for Longda Shenzhen Section and Nanguang Expressway.

Wuhuang Expressway

During the Year, Wuhuang Expressway recorded a toll revenue of HK$400 million (2015: HK$408 million), representing a decrease of 2% as compared to the corresponding period of the previous year (excluding the impact of exchange rate, increased by 3% year-on-year). Profit before finance costs and tax amounted to HK$162 million (2015: HK$176 million), representing a decrease of 8% as compared to the corresponding period of the previous year (excluding the impact of exchange rate, decreased by 3% year-on-year); EBITDA amounted to HK$279 million (2015: HK$284 million), representing a decrease of 2% as compared to the corresponding period of the previous year.

During the Year, with an increase in amortisation as a result of growing traffic volume, profit before finance costs and tax of Wuhuang Expressway recorded a decrease as compared to the corresponding period of the previous year.

Shenzhen Expressway and its expressway projects

Total revenue of Shenzhen Expressway for the Year increased by 28% to HK$4,849 million (2015: HK$3,774 million) as compared to the corresponding period of the previous year. This was mainly attributable to the increase in its toll revenue for the Year by 10% to HK$4,045 million (2015: HK$3,680 million) year-on-year due to the new toll revenue contributed by the project company of Shuiguan Expressway which has become a subsidiary of the Group since 30 October 2015 as well as new revenue of approximately HK$295 million which brought in from other business. Profit before finance costs and tax decreased by 3% to approximately HK$2,279 million (2015: HK$2,341 million) as compared to the corresponding period of the previous year. Due to the impact of the provision for interest costs for the Year in accordance with the Toll Adjustment and Compensation Agreement in respect of Nanguang Expressway, Yanpai Expressway and Yanba Expressway, the Group's share of profit from Shenzhen Expressway decreased by 38% to HK$599 million (2015: HK$963 million) as compared to the corresponding period of the previous year. Excluding the impact of the provision of interest costs as mentioned above for the Year and the provision for impairment of concession rights of Qinglian Expressway as well as the fair value gain on equity interests held by the Group recognised as a result of acquisitions of effective control of two companies in 2015, the Group's share of profit from Shenzhen Expressway increased by 19% as compared to the corresponding period of the previous year.

OTHER INVESTMENTS

Shenzhen Airlines

During the Year, passenger transport volume of Shenzhen Airlines continued to grow and recorded a total revenue of RMB25,970 million (HK$30,194 million) (2015: RMB23,863 million (HK$29,330 million)), representing an increase of 9% as compared to the corresponding period of the previous year. In addition, benefitting from the considerable decrease in aviation fuel cost as a result of the continuing reduction in aviation fuel price during the Year, operating profit of Shenzhen Airlines increased by 39% to RMB4,035 million (HK$4,691 million), as compared to the corresponding period of the previous year. Net profit of Shenzhen Airlines for the Year amounted to RMB1,573 million (HK$1,829 million) (2015: RMB744 million (HK$914 million)), up 111% over the corresponding period of the previous year, notwithstanding that it recorded an exchange loss of RMB1,095 million (HK$1,273 million) (2015: RMB1,146 million (HK$1,409 million)) as affected by the fluctuation of Renminbi exchange rate. Shenzhen Airlines contributed a profit of approximately HK$834 million (2015: HK$381 million) to the Group during the Year, representing an increase of 119% as compared to the corresponding period of the previous year.

OUTLOOK FOR 2017

Looking to 2017, the business environment will become more challenging, as growing uncertainties are expected in the global economic developments and landscape. Nonetheless, new policies announced by the Chinese Government, including measures relating to urbanisation, “Internet plus” and “One Belt, One Road”, are set to fuel the long-term growth of the Chinese economy and present favourable opportunities for the Group. With a positive outlook for the future and in persistent implementation of our strategies, the Group will vigorously advance the investment in and construction and operation of the “China Urban Integrated Logistics Hub” projects as well as the transformation, upgrade and resource integration of existing logistic parks, while actively identifying opportunities for acquisition of well-developed assets in logistics to further expand the Group’s logistic business.

In 2017, the Group will drive the investment in and construction of the “China Urban Integrated Logistics Hub” projects in the Pearl River Delta region, Yangtze River Delta region and Beijing region, as well as in logistic gateway cities where the Group has yet to establish its presence, such as Kunming. In addition, construction of the projects in Wuxi, Shijiazhuang, Nanchang, Hangzhou and Guizhou have commenced according to schedule, which are expected to be completed and put into operation in 2017. At the same time, the Group will strive to acquire the land use rights for the Liguang land parcels in Longhua New Area in Shenzhen and commence preparatory work for construction of the project. Offering a total gross floor area of 250,000 square metres, the Liguang land parcels will be developed into the Shenzhen gateway for “China Urban Integrated Logistics Hub”, which will further strengthen the Group’s market share in the logistics market of Shenzhen.

Benefitting from surging land prices in Shenzhen in recent years, the land parcels of the Meilin Checkpoint Project are set to enjoy further growth in value. In the meantime, the Group is studying ways to realise the value of the land parcels of the Meilin Checkpoint Project, so as to maximise the commercial value of these land parcels and will strive to commence the construction works in 2017.

In connection with the Qianhai Project, the Group will continue to drive the implementation of land consolidation and preparation of all five land parcels with an aggregate site area of approximately 380,000 square metres in Qianhai owned by the Group, including the time of assessment and value of the land under the previous and new land use arrangements, the commencement date of the term in respect of the land swap, the party which owns the value of land under the previous land use arrangements and the ratio of profit sharing in respect of the increase in the value of land under the new land use arrangements, in order to generate a higher economic value from the land parcels of Qianhai Project owned by the Group.

In connection with our toll road business, new urbanisation will generate great demand for construction or upgrades of infrastructure facilities and demand for maintenance and management once such infrastructure facilities are put in use, thereby creating further business opportunities for the Group. The Group will continue to consolidate and enhance the performance of its principal toll road business by further strengthening cost management and adopting target-specific promotion and marketing strategies for its road network, while actively identifying investment projects relating to its principal toll road business with a view to increasing toll revenue. In January 2017, Shenzhen Expressway entered into a transfer agreement with an independent third party to acquire 100% interests in Yichang Expressway in Hunan, further enhancing the core advantage of the Group's toll road business.

In early 2017, the Company received approval to issue corporate bonds with an amount of not exceeding RMB5 billion in the PRC (the "Panda Bonds"). The Company will issue the Panda Bonds at an opportune time depending on market conditions. The Company believes that the issue of the Panda Bonds will further diversify the Group's funding channels and facilitate its future business expansion.

The year 2017 is a year of implementation for the Group's "13th Five-Year Strategic Plan". It is also a crucial year for deepening reforms and innovative efforts. The Group will pursue business development under the following guiding principles: "aiming for economic efficiency in all operations; underpinned by the drive for reform and innovation; seeking progress through investments, acquisitions and reorganisations; providing assurance through quality enhancement and risk aversion measures". In compliance with the rules governing how the market operates, the Group will enhance consolidation of our essential resources and step up with the development of both asset-light and asset-heavy business, seize the opportunity for the full deployment and market development of the "China Urban Integrated Logistics Hub" projects. The Group will continue to expedite the major projects including the Qianhai Project and Meilin Checkpoint Urban Renewal Project, as well as the transformation and upgrade of existing logistic parks, such as the South China Logistic Park. Further efforts will be made to drive the integrated operation of industry, financing and the Internet, strengthen capital operations and optimise our staff incentive mechanism, in order to facilitate the growth of the Group by leaps and bounds.

FINANCIAL POSITION

	31 December 2016 HK$ million	31 December 2015 HK$ million	Increase/ (Decrease)
Total Assets	**60,741**	58,998	**3%**
Total Liabilities	**32,305**	30,298	**7%**
Total Equity	**28,436**	28,700	**(1%)**
Net Asset Value attributable to shareholders	**18,634**	18,160	**3%**
Net Asset Value per share attributable to shareholders (HK dollar)	**9.5**	9.6	**(1%)**
Cash	**11,424**	15,635	**(27%)**
Bank borrowings	**4,746**	5,112	**(7%)**
Notes and bonds	**7,637**	7,925	**(4%)**
Total Borrowings	**12,383**	13,037	**(5%)**
Net Borrowings / (Cash)	**959**	(2,598)	**N/A**
Debt-asset Ratio (Total Liabilities/Total Assets)	**53%**	51%	**2** #
Ratio of Total Borrowings to Total Assets	**20%**	22%	**(2)** #
Ratio of Net Borrowings / (Cash) to Total Equity	**3%**	(9%)	**N/A**
Ratio of Total Borrowings to Total Equity	**44%**	45%	**(1)** #

Change in percentage points

Key Financial Indicators

As at 31 December 2016, the net asset value attributable to shareholders increased by 3% to HK$18,634 million, while net asset value per share amounted to HK$9.5, representing a slight decrease by 1% as compared to the corresponding period of the previous year. The ratio of total borrowings to total assets was 20%, which was 2 percentage points lower than that at the end of last year, underpinning a healthy and stable financial position.

Cash Flow and Financial Ratios

During the Year, the Group's cash flow generated from operations remained stable. Net cash inflow generated from operating activities amounted to HK$1,915 million; net cash outflow spent on investment activities amounted to HK$5,689 million; and net cash outflow spent on financing activities amounted to HK$1,197 million. The Group's core businesses maintained a stable cash inflow, while the Group closely monitored changes in total borrowings with a view to maintaining its financial ratios at a healthy level. During the Year, the Group reduced its total borrowings by 5% in an ongoing effort to optimise its borrowing structure, resulting in the lowering of its ratio of total borrowings to total equity by 1 percentage point to 44% and a more solid financial conditions for the Group.

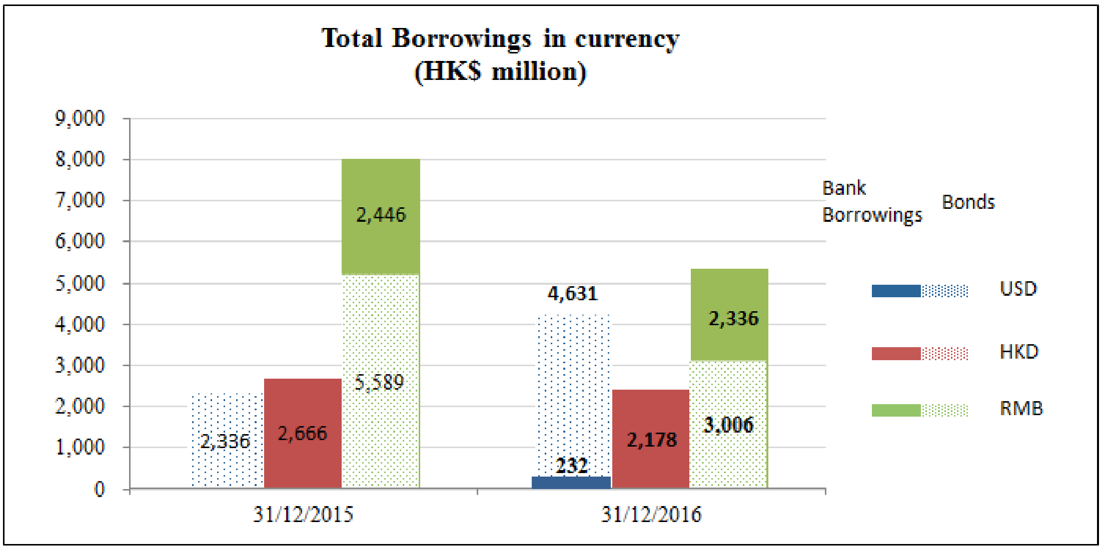
Cash Balance

As at 31 December 2016, the cash balance held by the Group amounted to HK$11,424 million (31 December 2015: HK$15,635 million), representing a decrease of 27% as compared to the corresponding period of the previous year, attributable mainly to capital expenditure amounting to RMB5,500 million incurred for the Year. Cash held by the Group is primarily denominated in Renminbi, with a view to facilitating the Group's operation and development in China. The Group will further strengthen its capital management subject to a prudent treasury policy, aiming at a higher return on its cash portfolio which would provide support for the development of the urban integrated logistic hub business.

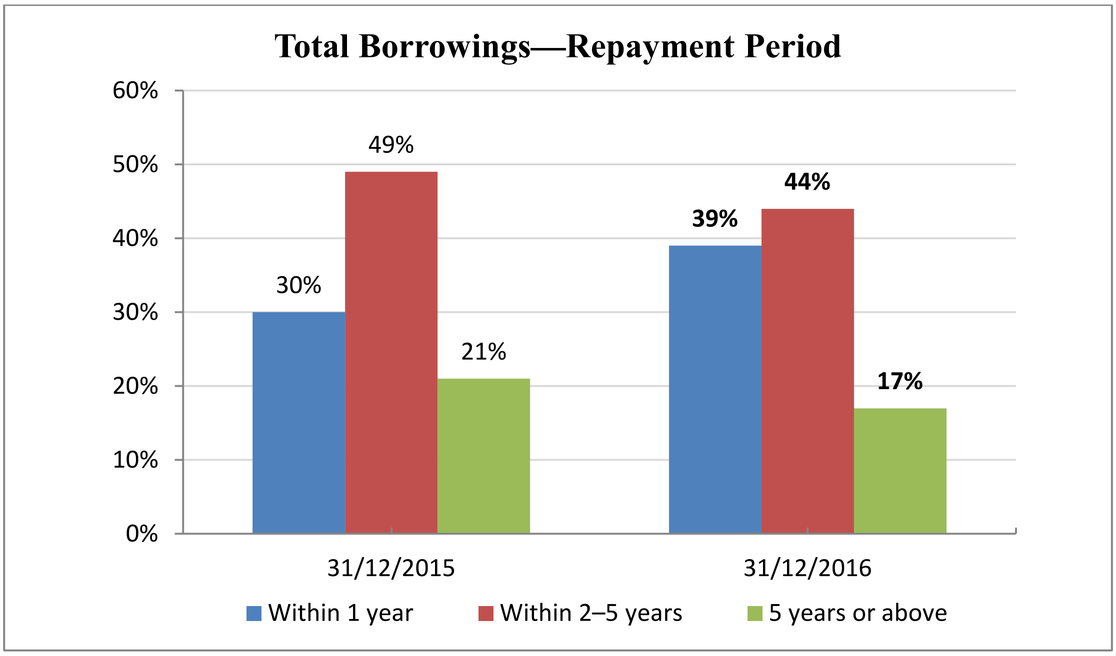
Capital Expenditures

During the Year, the Group's capital expenditure amounted to RMB5,500 million (HK$6,200 million), of which RMB2,500 million was utilised for the payment of 70% of the land premium for the land parcels of the Meilin Checkpoint Urban Renewal Project, RMB1,280 million was utilised for construction works and land acquisition in respect of the China Urban Integrated Logistics Hub, and RMB1,160 million was utilised for the purchase of an office building as our head office. The Group expects the capital expenditure for the year 2017 to be approximately RMB4,800 million (HK$5,300 million), of which RMB1,400 million will be utilised for China Urban Integrated Logistics Hub projects, approximately RMB1,270 million will be utilised for the Hunan Yichang Expressway Project and RMB830 million will be utilised for the Outer Ring Expressway Project.

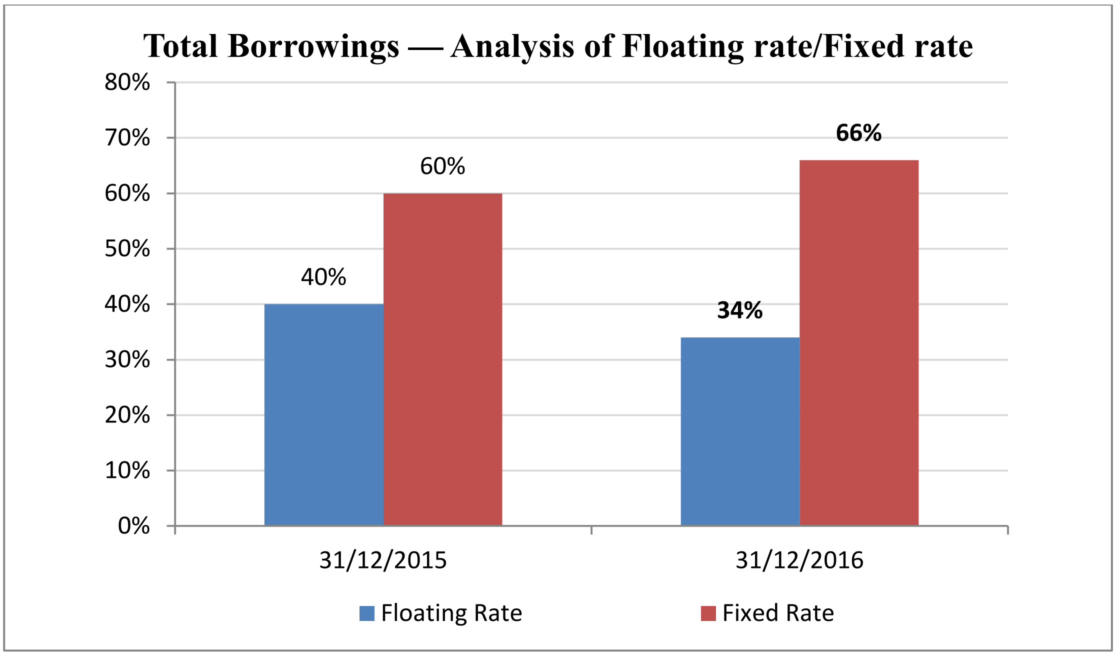
Borrowings



Total Borrowings in currency
(HK$ million)
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2,446
5,589
2,336
2,666
4,631
2,336
3,006
2,178
232
31/12/2015
31/12/2016
Bank Borrowings
Bonds
USD
HKD
RMB



Total Borrowings—Repayment Period
60%
50%
40%
30%
20%
10%
0%
30%
49%
21%
39%
44%
17%
31/12/2015
31/12/2016
Within 1 year
Within 2–5 years
5 years or above



As at 31 December 2016, the Group's total borrowings amounted to HK$12,383 million, representing a decrease of 5% as compared to the corresponding period of the previous year. Out of the total borrowings, amounts due within 1 year, 2-5 years and 5 years or above accounted for 39%, 44% and 17%, respectively. The fixed-interest borrowing ratio of the Group increased by 6 percentage points to 66%, as compared to the end of the previous year.

The Group's Financial Policy

Interest Rate Risk Management

The Group's interest rate risks arise primarily from floating-rate bank loans. The management manages interest rate risks and controls such risks within a reasonable level by closely tracking changes in the macro-economic environment and monitoring changes in current and projected interest rates on a regular basis, taking into account conditions in the domestic and international markets. The management also regularly reviews the ratio of fixed-rate to floating-rate borrowings and seeks to strike a balance between minimising the Group's interest costs and interest rate risks by entering into fixed-rate loans or interest rate swap contracts for hedging purposes on a timely manner according to the sizes and periods of its borrowings.

Exchange Rate Risk

Cash flows, cash on hand and assets for business operated by the Group are primarily denominated in Renminbi, whereas borrowings are mainly denominated in Renminbi, Hong Kong Dollar and US Dollar. The management of the Group has been closely monitoring the fluctuation and movements of the Renminbi exchange rate. While the People's Bank of China maintained a prudent monetary policy during the Year, the RMB to USD exchange rate suffered a temporary setback following the Brexit referendum in June which voted for an exit by the United Kingdom from the European Union and the sworn-in of the new U.S. President. The RMB exchange rate during the year was relatively volatile thus conceding approximately 7% in value against the US Dollar, resulting in net foreign exchange loss for the Group amounting to HK$180 million. The Group strives to mitigate the impact of exchange rate fluctuations on its overall financial performance and to minimise financial risks and the management has conducted a detailed analysis and study into the movement of Renminbi exchange rate. Increasing volatility in the Renminbi exchange rate is expected in 2017. The Group will adjust the currency structure of its borrowings and utilising appropriate hedging instruments to reduce the impact of fluctuation in the exchange rate of Renminbi.

Liquidity Risk Management

The Group currently has cash on hand and standby banking facilities of approximately HK$45,600 million. The Group has signed agreements with major banks in Hong Kong and Mainland China to secure credit facilities for the Group. We regularly monitor cash flow forecasts on a rolling basis and, taking into consideration our current asset level and funding needs, we may enter into new financing arrangements to meet future cash flow requirements and ensure our capability of ongoing operation and business expansion.

The Group continues to strengthen its financial positions by expending its financing channels through bank loans and bond issues. The Group takes advantage of onshore and offshore markets to enhance its financial flexibility and efficiency of capital utilisation. In February 2017, the Company obtained the approval from the China Securities Regulatory Commission ("CSRC") for the issuance of corporate bonds in an aggregate principal amount not exceeding RMB5,000 million in The People Republic of China. The Company may issue the Panda Bonds in several tranches within 24 months from the date of CSRC approval in order to meet the capital expenditure requirements of its future logistics projects.

Credit Ratings

During the Year, leading international credit rating agency Moody's upgraded the rating of the Company from Baa3 to Baa2, while Standard & Poor's and Fitch Ratings maintained their respective BBB investment grade credit rating for the Company. Moreover, domestic credit rating agencies United Credit Ratings Co., Ltd and Pengyuan Credit Rating Co., Ltd assigned a "AAA" rating to the Company and its Panda Bonds, being the highest credit rating in the PRC. These ratings reflect the quality of the Company's assets and its stable financial position, adequate cash flow and strong credit standing. The recognition from these five credit rating agencies will facilitate further expansion of the Group's financing channels, which will enable the Group to optimise its capital structure and seek financing at lower costs.

EVENTS AFTER THE BALANCE SHEET DATE

Shenzhen Expressway and Shenzhen Pingan Innovation Capital Investment Company Limited entered into the equity transfer agreement on 20 January 2017. According to this agreement, Shenzhen Expressway agreed to acquire 100% interest in Hunan Yichang Expressway Development Company Limited at a cash consideration of RMB1,270 million. As at the date of approval of this announcement, the transaction has not yet been completed.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the Year, the Company has complied with the code provisions set out in "Corporate Governance Code and Corporate Governance Report" of Appendix 14 of the Listing Rules save that a non-executive director of the Company who had a prior-committed meeting was unable to attend the special general meeting of the Company held on 28 January 2016. The Company aims to continually enhance its corporate governance practices, thereby laying a good foundation for promoting the Company's sustainability and enhancing value for its shareholders.

CLOSURE OF REGISTER OF MEMBERS

To ensure the eligibility to attend and vote at the 2017 Annual General Meeting and the entitlement to the proposed final dividend, the register of members of the Company will be closed on the following dates:

For ascertaining shareholders' right to attend and vote at the 2017 Annual General Meeting:

Latest time to lodge transfers	by 4:30 p.m. on Wednesday, 10 May 2017
Book closure dates	Thursday, 11 May 2017 to Wednesday, 17 May 2017 (both days inclusive)
Record date	Wednesday, 10 May 2017

For ascertaining shareholders' entitlement to the proposed final dividend:

Latest time to lodge transfers	by 4:30 p.m. on Monday, 22 May 2017
Book closure dates	Tuesday, 23 May 2017 to Wednesday, 24 May 2017 (both days inclusive)
Record date	Wednesday, 24 May 2017
Payment date of the final dividend	on or about Friday, 23 June 2017

To be eligible to attend and vote at the 2017 Annual General Meeting and qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

OTHER INFORMATION

Before the date of this announcement, the Audit Committee of the Company reviewed the annual results of the Group for the year ended 31 December 2016. A meeting of the Audit Committee of the Company has also been held with the Company's auditors in connection with the review of the annual results of the Group for the year ended 31 December 2016.

The figures in respect of the announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Company's auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by KPMG on this announcement.

This announcement and other information including those of the Company's 2016 annual results will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.szihl.com).

By Order of the Board
Shenzhen International Holdings Limited
Gao Lei
Chairman

Hong Kong, 28 March 2017

As at the date of this announcement, the Board consists of Messrs. Gao Lei, Li Hai Tao, Zhong Shan Qun, Liu Jun and Li Lu Ning as executive directors, Dr. Yim Fung, JP as non-executive director and Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing as independent non-executive directors.